

Washington, DC — Today, Congressman Joe Sestak voted for H.R. 1257, the Shareholder Vote on Executive Compensation Act, which would require that public companies ensure shareholders have an annual nonbinding advisory vote on their company's executive compensation plans and an additional nonbinding advisory vote if the company awards a new golden parachute package while simultaneously negotiating the purchase or sale of the company.

"This legislation gives shareholders a mechanism for supporting or opposing a company's executive compensation plan without micromanaging the company," stated Congressman Sestak. "It will also help give boards pause before approving a questionable compensation plan."

The Shareholder Vote on Executive Compensation Act is designed to help address a CEO's natural conflict of interest when negotiating the selling price of a company while simultaneously negotiating an additional personal exit package (e.g., a CEO may be willing to sell the company for less if he/she personally receives more – thereby reducing shareholder value). This provision would not apply to long-disclosed "change in ownership" agreements – and would only apply to new provisions added while negotiating the sale/purchase.

The nonbinding advisory vote approach has been used in the United Kingdom since 2003 and is currently being used in Australia as well. It is credited with improving management/shareholder dialogue on executive compensation matters and increasing the use of long-term performance targets in incentive compensation. It was recently adopted voluntarily by Aflac, and according to Institutional Shareholder Services, is currently pending before 52 companies.

H.R. 1257 passed the House of Representatives by a vote of 269 to 134.